



The BANK OF NOVA SCOTIA

ESTABLISHED 1832



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ONE HUNDRED AND THIRTEENTH ANNUAL REPORT

October 31st, 1944

**The
Bank of Nova Scotia**

Incorporated 1832

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Incorporated 1832

CAPITAL AUTHORIZED	-	-	-	-	-	\$15,000,000.00
CAPITAL PAID-UP	-	-	-	-	-	\$12,000,000.00
RESERVE FUND	-	-	-	-	-	\$24,000,000.00

Head Office - - - Halifax, N.S.

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I. C. COOPER, *Assistant Supervisor of Staff*

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*J. D. GIBSON, *Supervisor, Statistical Department*

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CORRESPONDENTS

GREAT BRITAIN AND IRELAND

Bank of England

Midland Bank Limited	National Provincial Bank Ltd.
Royal Bank of Scotland	District Bank Limited
Barclays Bank Limited	Provincial Bank of Ireland Ltd.

UNITED STATES

NEW YORK:

Bank of New York
Guaranty Trust Co. of New York
Central Hanover Bank & Trust Co.
Bank of Manhattan Co.
Bankers Trust Co.
Chemical Bank & Trust Co.
Corn Exchange Bank Trust Co.
National City Bank of New York
Chase National Bank of the City of New York
J. P. Morgan & Company Inc.
Irving Trust Company
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Baltimore National Bank

BOSTON:

Merchants National Bank of Boston
First National Bank of Boston
National Shawmut Bank of Boston
State Street Trust Company

BUFFALO:

Liberty Bank of Buffalo

CHICAGO:

First National Bank of Chicago
Continental Illinois National Bank & Trust Company of Chicago

CLEVELAND:

National City Bank of Cleveland
Cleveland Trust Company

DETROIT:

National Bank of Detroit

LOS ANGELES:

Security-First National Bank of Los Angeles

MINNEAPOLIS:

First National Bank of Minneapolis

MOBILE, ALA.:

Merchants National Bank of Mobile

NEW ORLEANS:

Whitney National Bank of New Orleans

PHILADELPHIA:

Philadelphia National Bank

PITTSBURGH:

Mellon National Bank
Union Trust Company

PORTLAND, ORE:

First National Bank of Portland

PROVIDENCE:

Rhode Island Hospital National Bank

SAN FRANCISCO:

American Trust Company
Bank of America N. T. & S. Assoc'n

SEATTLE:

Seattle-First National Bank

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AFRICA:

Standard Bank of South Africa Ltd.
Barclays Bank (D.C. & O.)

AUSTRALIA AND NEW ZEALAND:

Union Bank of Australia Ltd.
Bank of New South Wales
Commercial Bank of Australia Ltd.

SOUTH AMERICA:

Bank of London and South America Ltd.

SPAIN:

Bank of London and South America Ltd.
Banco Pastor
Banco Hispano Americano

SWITZERLAND:

Swiss Bank Corporation

DIRECTORS' REPORT

Your Directors beg to submit herewith the One Hundred and Thirteenth Annual Report of the Bank covering its operations for ten months ended October 31st, 1944, with a statement showing the Assets and Liabilities at that date.

The net profits for ten months ended 31st October 1944, after Dominion Government taxes of \$1,736,508.43 (of which \$203,271.84 is refundable under the provisions of the Excess Profits Tax Act) and after making appropriations to Contingent Accounts out of which accounts full provision for Bad and Doubtful Debts has been made, amounted to.....	\$1,445,420.40
To which is added the balance brought forward from last year.....	\$1,339,716.80
Making the total available for distribution.....	<u>\$2,785,137.20</u>

This has been appropriated as follows:

Dividends at the rate of 10% per annum.....	\$1,000,000.00
Contribution to Officers' Pension Fund.....	190,000.00
Written off Bank Premises Account.....	210,000.00
Balance to be carried forward.....	1,385,137.20
	<u>\$2,785,137.20</u>

The Assets of the Bank have been carefully and conservatively valued, and the correctness of the statement is certified by the Auditors appointed by you under Section 55 of The Bank Act. During the year the Branches have been inspected by experienced officers specially appointed for that purpose.

There were 276 Branches of the Bank in operation at the beginning of the year; during the ten months ended 31st October 1944, 1 Branch was closed, leaving 275 Branches of the Bank now in operation. Of these Branches 238 are in Canada, 13 in Newfoundland, 22 in the West Indies, 1 in the United States and 1 in London, England. There are also 13 Sub-branches of the Bank in operation.

Your Directors wish to record their sincere appreciation of the loyalty and efficiency with which the officers of the Bank have discharged their duties in the past year.

On behalf of the Board,

J. A. McLEOD,
President.

Halifax, N.S., December 6th, 1944.

General Statement as at October 31st, 1944

LIABILITIES

Capital paid up	\$ 12,000,000.00	
Rest or reserve fund	24,000,000.00	
Dividends declared and unpaid	111,975.76	
Balance of profits, as per profit and loss account	1,385,137.20	
		\$ 37,497,112.96
Notes in circulation	\$ 3,091,370.19	
Deposits by and balances due to Dominion Government	\$19,392,984.78	
Deposits by and balances due to provincial governments	1,682,504.63	
Deposits by the public not bearing interest ..	194,722,946.85	
Deposits by the public bearing interest, including interest accrued, to date of statement ..	245,774,951.37	
		461,573,387.63
		\$464,664,757.82
Deposits by and balances due to other chartered banks in Canada	5,587,946.20	
Deposits by and balances due to banks and banking correspondents elsewhere than in Canada	5,688,150.87	
		\$475,940,854.89
Acceptances and letters of credit outstanding	27,457,412.26	
Liabilities to the public not included under the foregoing heads	1,585,333.82	

J. A. McLEOD, President

\$542,480,713.93

Auditors' Report to the Shareholders of The Bank of Nova Scotia:

We have examined the above General Statement of Liabilities and Assets as at October 31st, 1944, Bank's investments and cash on hand at the Chief Office and at the Toronto and Montreal Branches were explanations that we have required, and in our opinion the transactions of the Bank which have come

We report that in our opinion the above statement discloses the true condition of the Bank and is as

TORONTO, CANADA,
20th November, 1944.

REPORT OF THE BANK OF NOVA SCOTIA

General Statement as at October 31st, 1944

ASSETS

Gold and subsidiary coin held in Canada	\$ 643,184.12
Gold and subsidiary coin held elsewhere	1,068,121.59
Notes of Bank of Canada	11,772,552.00
Deposits with Bank of Canada	25,801,175.70
Notes of and cheques on other banks	17,216,719.43
Government and bank notes other than Canadian	25,429,519.80
	<u>\$ 81,931,272.64</u>
Due by banks and banking correspondents elsewhere than in Canada	37,922,180.12
	<u>\$119,853,452.76</u>
Dominion government direct and guaranteed securities maturing within two years, not exceeding market value	122,979,016.38
Other Dominion government direct and guaranteed securities, not exceeding market value	84,252,348.00
Provincial government direct and guaranteed securities maturing within two years, not exceeding market value	9,298,012.83
Other provincial government direct and guaranteed securities, not exceeding market value	14,712,825.73
Canadian municipal securities, not exceeding market value	8,446,159.31
Public securities other than Canadian, not exceeding market value	8,614,704.76
Other bonds, debentures and stocks, not exceeding market value	6,347,400.53
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	6,508,960.60
Call and short (not exceeding thirty days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	2,533,825.00
	<u>\$383,546,705.90</u>
Current loans and discounts in Canada, not otherwise included, estimated loss provided for	\$105,406,856.35
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	16,535,053.88
Loans to provincial governments	3,593.29
Loans to cities, towns, municipalities and school districts	1,610,191.90
Non-current loans, estimated loss provided for	133,756.34
	<u>\$123,689,451.76</u>
Liabilities of customers under acceptances and letters of credit as <i>per contra</i>	27,457,412.26
Mortgages on real estate sold by the bank	65,403.00
Bank premises, at not more than cost, less amounts written off	5,177,459.34
Deposit with the Minister of Finance for the security of note circulation	205,065.74
Shares of and loans to controlled companies	1,775,000.00
Other assets not included under the foregoing heads (including refundable portion of Dominion Government taxes amounting to \$402,970.94)	564,215.93
	<u>\$158,934,008.03</u>
	<u>\$542,480,713.93</u>

H. D. BURNS, General Manager

and compared it with the books at the Chief Office and with the certified returns from the Branches. The confirmed by us at the close of business on October 31st, 1944. We have obtained all the information and under our notice have been within the powers of the Bank.

D. McK. McCLELLAND, F.C.A.,
of Price, Waterhouse & Co.
A. B. SHEPHERD, F.C.A.,
of Peat, Marwick, Mitchell & Co. } Auditors

Controlled Company

Empire Realty Company, Limited

Balance Sheet, October 31st, 1944

ASSETS

LAND.....\$2,500,000.00

LIABILITIES

CAPITAL STOCK.....*\$2,500,000.00

**Carried in the Bank's Books as \$1,775,000.*

To the Shareholders of Empire Realty Company, Limited:

We have examined the books and accounts of Empire Realty Company, Limited, for the ten months ending October 31st, 1944, and report that in our opinion the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at that date according to the best of our information and the explanations given us and as shown by the books of the Company. All our requirements as auditors have been complied with.

D. McK. McCLELLAND, F.C.A.,
of Price, Waterhouse & Co. } Auditors
A. B. SHEPHERD, F.C.A.,
of Peat, Marwick, Mitchell & Co. }

TORONTO, CANADA,
17th November, 1944.

**Minutes of the One Hundred and Thirteenth Annual
General Meeting of the Shareholders of The
Bank of Nova Scotia, held at the Head Office
of the Bank in the City of Halifax, N.S.,
on Wednesday, December 6th, 1944**

The following were present:

Mr. Russell Blackburn, Hon. F. B. McCurdy, P.C., Lieut.-Colonel J. D. Fraser, Mr. L. A. Lovett, K.C., Brig.-General C. H. Maclaren, C.M.G., D.S.O., Dr. J. G. MacDougall, Mr. J. A. Kilpatrick, Mr. W. A. Winfield, Mr. Norman T. Avard, Mr. H. F. Bethel, Mr. J. Norwood Duffus, Miss Georgene L. Faulkner, Mr. Gordon A. Gladwin, Mr. J. W. Godfrey, K.C., Mr. Eric McN. Grant, Mr. W. L. Harper, Mr. Gilbert S. Hart, Mr. F. H. M. Jones, Mayor M. J. Kaufman, (Amherst, N.S.), Colonel Kenrick C. Laurie, Mr. E. L. MacDonald, Mr. Roderick MacGregor, Mr. C. F. MacKenzie, Miss Mary Mackay, Mr. Donald McInnes, K.C., Mr. Harry I. Mathers, Jr., Mr. N. Cyril Mitchell, Dr. C. S. Morton, Mr. John Mowat, Mr. S. E. O'Brien, Mrs. Janet G. Oxley, Mr. William L. Payzant, K.C., Mr. W. T. Powers, Mr. Leonard V. Smith, Mr. Clifford L. Torey, C.A., Miss M. Grace Wambolt, Mr. A. B. Wiswell, Mr. E. L. Rowan-Legg, Mr. C. B. Simmons, Mr. J. S. Taylor, Mr. I. Y. Murphy, Mr. H. F. Cunningham, Mr. L. D. Payzant, Mr. J. F. Palfrey, Mr. W. G. Henderson, Mr. W. S. Shields, Mr. A. L. Ormiston, Mr. J. F. Gill, Mr. W. R. Adams, Mr. R. C. Stoddard, Mr. T. W. Mitton, Mr. J. B. Tarlton, Mr. J. H. Malcom, Mr. W. A. Clark, Mr. M. A. Girvan, Mr. W. M. Bruce, Mr. R. V. Hickson, Mr. Reid J. Smith, Mr. R. C. Clark, Mr. H. N. Hubley, Mr. D. Samson, Mr. J. A. Young, Mr. C. S. Frost, Mr. H. L. Enman, Mr. F. W. Ross, Mr. J. G. Rogerson, Mr. W. H. Silver, and Mr. H. D. Burns, General Manager.

On motion of Mr. Russell Blackburn, seconded by Mr. L. A. Lovett, K.C., Mr. H. D. Burns was appointed Chairman of the meeting.

On motion of Brig.-General C. H. Maclaren, seconded by Dr. J. G. MacDougall, Mr. W. H. Silver was appointed Secretary of the meeting.

At the request of the Chairman, the notice convening the meeting was read by the Secretary.

On motion of Mr. E. L. MacDonald, seconded by Mr. N. Cyril Mitchell, Mr. C. F. Mackenzie and Mr. Harry I. Mathers, Jr., were appointed Scrutineers for the meeting.

The Minutes of the last Annual Meeting, having been printed and distributed to the Shareholders, were taken as read, and on motion of Mr. A. B. Wiswell, seconded by Mr. L. V. Smith, were confirmed.

At the request of the Chairman, the Secretary read the Report of the Directors for the past ten months and the Auditors' Report to the Shareholders of the Bank. The General Statement of Liabilities and Assets as at October 31st, 1944, and the Statement of Profit and Loss Account for the ten months ending that date, together with the Statement of the Empire Realty Company, Limited, as at October 31st, 1944, having been placed in the hands of the Shareholders, were considered as read.

The Chairman referred with deep regret to the unavoidable absence of Mr. J. A. McLeod, and asked Mr. J. G. Rogerson, Secretary of the Bank, to read the President's address.

THE PRESIDENT'S ADDRESS FOLLOWS:

"The decisive events of the year now coming to an end place new emphasis on the problems of transition and reconstruction. While the war effort must be sustained to defeat the two despair-maddened enemies of mankind, and while the full cost in the lives and health of our fighting men has not yet been paid, final victory now seems certain. With little or no advance notice, we may find ourselves facing the problems of constructing a better post-war society. These problems are urgent both internationally and at home, and though considerable progress has been made in preparing to meet them, a great deal remains to be done.

It has become a custom for the President to review briefly at this meeting the economic developments of the preceding year. On this occasion, however, I should like to concentrate upon the outlook rather than upon the past, and upon one of the fundamental problems of our future welfare—the prospects for our external trade. So far as the present economic situation is concerned, it is much the

same as a year ago. It presents a picture of an economy geared to a huge volume of war activity driven by enormous government outlays and guided by a highly developed system of controls. Almost everyone who is willing to work has a job and, though here and there war contracts are being cut back, there still remains a serious shortage of manpower. Income payments are higher than ever, both for urban workers and for farmers.

Our economic position also reflects a combination of good fortune and good management: no bombs have fallen on our cities and no fighting has ravaged our soil. Our resources and industrial capacity are such that despite the scale of the war program we have been able to maintain a large production of needed civilian goods—enough to improve the current standard of living for a majority of Canadians and enough to prevent sustained or critical shortages of particular necessities. No important inflation has developed, though all previous experience would suggest that inflation was inevitable in such circumstances as have prevailed. Canada has managed to devise an anti-inflation policy that has worked, and produced results which compare favourably with those achieved by any other country.

Economic Prospects in the Transition

So long as the war with Germany continues there is unlikely to be any radical change in the broad economic situation. But when Germany is defeated the position will change. Some say that the moment Germany is beaten our problems will be those of unemployment and excess capacity; that deflation rather than inflation will be the major risk. They point to the fact that 40% to 50% of our national energies are devoted to war activities and that with the remaining 50% to 60% we have been able to provide a somewhat larger volume of consumer goods for civilians than was the case prior to the war. They point out that there are nearly one million persons in war industry and three-quarters of a million in the armed forces. They wonder how all the people and productive facilities released can be utilized for peacetime purposes when our war activities are cut by half shortly after the end of the war in Europe.

Risk of Spending Spree

Others contend that there is no danger of deflation for some time to come. They point to the large volume of deferred needs which

undoubtedly exists—to the shortage of housing, of household equipment and appliances, of automobiles and of farm implements, and to the needed repairs to homes and farm buildings which have been put off for some years. They stress the amount of maintenance and replacement deferred, and expansion postponed, in many spheres of non-war activity—in manufacturing, in truck and rail transport, in the highway systems, in conservation of natural resources and so on. They point to the great store of accumulated purchasing power in the form of government securities, bank deposits and cash, and improved liquidity and borrowing capacity. While they admit that diminishing war activity will cause an appreciable reduction in income payments, they emphasize that government expenditures will remain high for some time and that soldiers' gratuities, unemployment insurance, family allowances, and possibly some tax reductions will sustain buying power. Above all, they point out that controls, taxation and heavy borrowing, supported by the patriotic stimulus of war, have largely succeeded in preventing for the time being the increased spending which would otherwise have accompanied the great expansion in income that has occurred and which may be in evidence after these special circumstances are removed. Furthermore, they claim that some costs have increased despite the price ceiling, because of shortages of materials and experienced labour, high labour turnover, overtime, etc. Finally, they say that Canadian prices are relatively lower than those of other countries and to some extent are being held down artificially through the use of subsidies. In these circumstances, so the reasoning goes, the danger is inflation, not deflation.

Canada Must Find a Million New Jobs

These two views are contradictory and yet there is an important element of truth in each of them. There is some risk of unemployment. Canada will be confronted with a transition of enormous proportions and, as the Minister of Reconstruction has said, we need a million more jobs than in 1939. On the other hand, we cannot disregard the risk of inflation particularly in the early stages of the transition. There is a real danger of both—an inflationary boom followed by a sharp deflation. You will remember our experience after the last war. There was a short period of hesitation following the cessation of hostilities. Then prices soared upward for about a year in what constituted the worst part of the inflation which

occurred over the whole period from 1914 to 1920. The collapse which followed was a violent one; it caused heavy inventory losses, a succession of bankruptcies, a considerable amount of unemployment, and it turned an illusory prosperity for the farmer into the gloom of depression.

Short-lived Boom, Then Slump?

I do not suggest that the conditions following the defeat of Germany will be identical with those after the last war. There are important differences. The war may end in stages rather than all at once. We, like the British and Americans, know far more about controlling inflation than we did a generation ago. Victory will not find industry and government so completely unprepared to meet the problems of reconversion. Also it seems to me that the Canadian people are apt to be a little more cautious and a little more suspicious of boom conditions in the light of their experience in the great depression and in the slump after the last post-war boom.

But important as these differences may be, there will still remain potent factors working to produce a short-lived boom and later slump. Deferred needs are large. Accumulated purchasing power is larger. Production costs have increased and Canadian prices are low relative to other countries'. If the impact of these factors were to come quickly while government expenditures were still comparatively high, if the anti-inflation controls were to be suddenly relaxed or removed, we might easily get a boom which would dissipate accumulated buying power, distort reconversion and set the stage for a painful deflation. With the collapse of such a boom, private expenditures would contract and widespread unemployment might easily develop. Thus, the whole process of reconversion would be retarded and our goal of high employment lost in social conflict and disillusionment.

Close the Door to Inflation

For such reasons I believe that the Government's intention of continuing to hold to the price ceiling principle, so long as the inflationary pressures are powerful, should receive the support of the business community and the public generally. Though early relaxation and removal of price control might temporarily enlarge profits and permit further wage increases, it would open the door to the sort of boom which we had after the last war and, at the very

least, would result in a variety of price increases that could not be maintained except at the cost of restricted production and employment. If Canada can prevent that sort of price inflation, our chances of developing larger and more lasting markets at home and abroad will be enhanced, and the subsequent risk of deflation lessened.

Exports Greatly Expanded by War

There are a variety of other domestic policies which can and no doubt will help in the process of transition, and in this regard the General Manager will have some comments to make. In addition, however, external conditions and trading policies will have a major influence. Conditions in the United States and Great Britain will in the future, as in the past, be of prime concern to Canada, and the course of our external trade will either assist in solving or greatly complicate our reconversion problems. Indeed, the problem of the transition before us can be strikingly illustrated in terms of two export figures. The first is three billion, four hundred million dollars, the annual rate at which our merchandise exports are running today. The second is a figure somewhat under one billion dollars, which was the level prevailing prior to the war.

Exports Make Jobs and Incomes

Though few would suggest that exports could be maintained at their current level, because of the temporary character of our trade in munitions, it is abundantly clear that Canada needs a much larger export trade than before the war. Exports make jobs and incomes. Large exports generate prosperity throughout our economy. Small exports have the opposite effect. Because of the nature of our resources and because of the limited size of our domestic market, our economic structure is adapted to specialization rather than to self-sufficiency.

We depend on exports not only to make jobs and generate business activity, but also to get us the large volume of imports which we need to be prosperous. On all counts, Canada's interest lies in the establishment of a relatively free international trading system in which she can obtain the benefits of specialization. If external conditions forced us to work toward self-sufficiency, much of our resources, of our capital equipment and of our organization would go to waste. We should have an almost permanent burden of

depressed industries and unemployment, as well as having to accept a lower standard of living than would otherwise be feasible.

Encouraging Steps Toward World Order

In recent months, some important steps have been taken toward establishing the sort of international system in which expanding trade would be possible. The meeting at Dumbarton Oaks made progress toward the goal of world security upon which all other international measures must depend. The Monetary Conference at Bretton Woods made solid progress in agreeing upon plans for an orderly system of international exchange and for a reconstruction bank. It is to be hoped that this agreement will soon be ratified by the governments concerned, for it will be an important step in international co-operation. It is also to be hoped that a similar attempt to agree upon commercial policy will be made soon, before the difficult problems of transition are upon us and preoccupation with domestic issues weakens the will to reach agreement as to principles and methods of trade.

Trading Relations Disrupted by War

In saying this, I am acutely conscious that it will not be easy to arrive at conditions under which a relatively free system of international trade will be feasible. It will not be sufficient to agree upon the sort of international arrangements that are desired and to rely exclusively upon them until the circumstances are such that these arrangements can be made to work. Unfortunately, the facts of international economics today are not conducive to the ready establishment of an unrestricted flow of international trade. The pre-war system of relationships in world trade, strained and creaking as it then was, has been disrupted, and a difficult transition lies ahead.

Great Britain's Position

The position of Great Britain illustrates the difficulties and is clearly of great importance to Canada. From an economic standpoint, Britain has lost much as a result of the war. In addition to the reduction in her standard of living and the very extensive bomb damage, she has had to sell a large part of her foreign assets and has incurred very heavy international debts. Quite apart from Lend Lease and Mutual Aid, Britain's net deficit in her current international transactions is estimated to have totalled over three billion

pounds in the five years from 1939 to 1943. This deficit, which is still accumulating, has been, and is being, financed by the sale of gold and exchange resources, by the sale of foreign assets, particularly in the United States, and by incurring new debts, largely in the form of Sterling balances, especially to India, other Empire countries, Egypt and Latin America.

This development has greatly reduced Britain's net income from overseas investments and has greatly increased her short-term liabilities and the demands on her very limited dollar resources. In addition, because of her heavy shipping losses and the coincident expansion in United States tonnage, the outlook for maintenance of her shipping income at pre-war levels is far from bright. Faced with such losses of external income and with the continued need for a high volume of imports, Britain must expand her exports substantially—it is generally understood that she requires a merchandise export trade at least 50% larger in volume than pre-war in order to balance her current international accounts. In doing so, she labours under serious difficulties, for the war has curtailed and disrupted her normal export trade.

Britain's Exchange Problems Acute

In these circumstances, Britain will be unable for some time to establish free convertibility of exchange and it was for such reasons that the Bretton Woods agreement made provision for a transition period—of from three to five years—in which those countries in a difficult international position could continue to maintain restrictive exchange practices. Britain's need for imports will be greater than ever before, but her capacity to pay will be limited by her exports and she may not be prepared, or indeed able, to provide more than a limited amount of convertible exchange to her various suppliers.

How Will This Affect Canada?

It is not difficult to appreciate the implications of such a policy for Canada, heavily dependent as we are upon exports to the United Kingdom and the Sterling area. Britain is the largest purchaser of Canadian farm products—of wheat, of hogs (the production of which has been so greatly expanded) of cheese, of apples, and so on. She is a large buyer of Canadian forest products and metals, and constitutes with the other Dominions a very important market for Canadian manufactured products of a kind suited to the

industrial capacity which has been so expanded by the war. We should like to maintain our Empire exports at much higher levels than prior to the war; indeed we must, if we are to achieve an orderly reconversion and a satisfactory level of post-war employment and income. But there is a genuine exchange problem which somehow must be overcome.

Trade Restriction Wrong Answer

It is nothing new for Canada to have a large surplus in her balance of payments with the United Kingdom. That is a normal feature of Canadian trade, just as is the trading deficit with the United States against which much of this surplus is usually applied. There is every indication that Canada will continue to have a surplus in her current accounts with Britain and the Empire and, if anything, a larger one than before the war, provided that the exchange problem does not pare down our exports. That, indeed, is one of the two ways in which the wide prospective gap in Britain's current requirements of Canadian dollars could be narrowed. The sale of Canadian goods to Britain could be restricted as a consequence of British exchange control and of curtailed purchases by the British Government of primary commodities in Canada. Such a development would strike the Canadian economy in the most vulnerable spot—namely, agriculture and the other primary industries. Its results could only be depressed income and unemployment.

From Britain's point of view, a restrictive policy also has grave disadvantages, for it would deprive the British people of goods which might otherwise have helped to raise their war-depressed standard of living. As her war programme is curtailed, Britain will turn her industrial energies to the two most urgent jobs on hand—reconstruction and expansion of exports. She may not have the manpower and resources to spare to provide a really adequate supply of goods for her population.

Canadian Financing Can Help

There is, however, another way in which the exchange gap could be narrowed and which seems to be the only sort of policy by which it will be possible to steer through the shoals of the transition period to an open and expanding system of international trade. That is for Canada to provide special means of financing part of the deficit, as well as to give British goods every feasible encouragement in the

Canadian market. Such special assistance in financing might take the form of an extension of mutual aid for particular reconstruction purposes in the transition period. To some extent it might take the form of credits under the new export credit legislation. It might also involve long-term loans at unusually low rates of interest. Whatever methods may be appropriate, some special means of financing is essential. The alternative is restriction of trade, depressed income, and unemployment.

Initiative Rests with North America

I have stressed our trading problem with Britain not only because of its great importance to Canada but because it is indicative of the much wider problem which must be solved if international trade is to expand and thrive. The North American economy is far out of balance with the economies of war-torn Europe and Asia. That is one of the costs of the war. Until reconstruction is completed, much of the rest of the world will be incapable of paying for the goods which it wants from North America and which this continent is able and anxious to provide.

If the United States and Canada are not prepared to deal with this financing problem on terms that the rest of the world can reasonably meet, then we may be sure that the countries of Europe and Asia will seek their own solutions in policies of bilateralism and of regional and national self-sufficiency. For this continent, that would mean problems of surplus capacity and unemployment; it would doom Canada's hopes for a world order in which she could make the best use of her great capabilities. For the world, it would mean a lower standard of living and new causes of international friction.

Most of us remember all too well what happened after the last war, when the dislocation in international trading relationships was much less than will be the case when this war is over. To solve the even more difficult problems of the near future will call for goodwill, intelligence, international planning and organization, and a determination to reach workable solutions. Above all, it will call for a realistic and understanding attitude on the part of North America, for it is with this continent that the initiative rests."

It was moved by Mr. H. D. Burns, seconded by Hon. F. B. McCurdy, P.C., that the Report of the Directors be adopted, that

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the appropriations therein be confirmed and that the Report, together with the Statements of Liabilities and Assets and Profit and Loss Account, be printed and distributed to the Shareholders.

Before putting the motion to adopt the Report to the meeting, Mr. H. D. Burns, the General Manager, addressed the meeting.

MR. BURNS SPOKE AS FOLLOWS:

"By reason of the change in the date of the fiscal year-end of the Bank from December 31st to October 31st, the Annual Report presented to you today covers a ten-month period only.

After Dominion Government taxes of \$1,736,508 and making appropriations to Contingent Accounts, out of which full provision for bad and doubtful debts was made, net profits amounted to \$1,445,420. This figure is roughly \$272,000 lower than for the previous twelve months, but on a comparable basis these profits would show relatively little change. The taxes for the year include the refundable portion amounting to \$203,271, now making a total of \$402,970 repayable to the Bank in the Government's second fiscal period after the end of the war.

The legislation restricting profits available for dividends to 70% of our standard profits for the four years 1936-1939 has remained in force.

Following the recent revision of The Bank Act, ten shares of new capital stock were issued in exchange for one share of the old. Dividends were paid on the par value of the stock at the rate of 10% per annum in four payments, three covering three-month periods, and a fourth for the month of October to adjust for the ten-month fiscal period. We shall resume making payments quarterly in respect of dividends declared in the future.

Dividends paid for the ten-month period totalled \$1,000,000, and after a contribution of \$190,000 to the Officers' Pension Fund and writing \$210,000 off Bank Premises Account, profits of \$45,420 remained, thereby increasing the balance carried forward to \$1,385,137.

The yield on the shareholders' investment is 3.4% per annum and this, while modest, may be regarded as a satisfactory return under present conditions. There were 4,267 shareholders of the Bank as at

October 31st, 1944, and the average holding was 281 shares of a par value of \$10 each.

The notes of the Bank in circulation total \$3,091,370, which is a reduction of \$794,551 from the figure of the previous year. The reduction was in accordance with the provision of The Bank Act whereby our notes in circulation in Canada must be restricted to bring the amount outstanding within the statutory limit, which becomes \$3,000,000 at the commencement of 1945. Under the revised Bank Act the issue or re-issue of notes of the Chartered Banks in Canada on and after the first day of January next will be prohibited, and within thirty days after the first day of January 1950, the banks shall pay to the Bank of Canada an amount equal to the face value of notes outstanding in Canada as at that date. Thereafter, the liability represented by the circulation outstanding is to be assumed by the Bank of Canada. The shareholders' maximum liability in respect of our notes in circulation as from the 1st January next will be 25% of capital.

Deposits aggregating \$461,573,000 are about \$45,000,000 in excess of the figure as at December 31st last. Commercial deposits—i.e., those not bearing interest—are up \$38,800,000 and there has been an increase of approximately \$35,000,000 in deposits by the public bearing interest. The reduction of some \$29,000,000 in Dominion Government balances is a reflection of the disbursement of funds temporarily on deposit at the end of last year by the Government following the Fifth Victory Loan Campaign.

Our holdings of cash aggregated \$64,714,553, which represents 12.81% of Public Liabilities; the cash, clearings and other bank balances aggregated \$119,853,452, or 23.72% of Public Liabilities. These figures compare with 13.9% and 25.4% respectively as at December 31st last.

Securities in our Investment Accounts have a total valuation of \$254,650,000, approximately \$44,000,000 in excess of our holdings as at December 31st, 1943. A substantial part of the increase results from a further participation with the other banks in short term financing for the Dominion Government in the form of six-month certificates of deposit bearing an interest rate of $\frac{3}{4}$ of 1% per annum. Our holdings of these certificates amount to \$79,390,000—an increase of \$35,055,000 since December 31st. We also hold our

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share of the Dominion Government two-year notes at an interest rate of $1\frac{1}{2}\%$ per annum, amounting to \$32,500,000, which is \$5,550,000 less than those held as at the end of last year.

Our holdings of Dominion and Provincial securities in maturities not exceeding two years amount to \$132,277,000, or 52% of the total Investment Accounts—an increase of \$20,700,000. A total of \$98,965,173 in other Dominion and Provincial bonds—an increase of about \$21,700,000—are also held in our portfolios.

The Dominion and Provincial bond holdings are 90.8% of the total of our Investment Accounts. The average maturity of our investment holdings, excluding Dominion Treasury Bills and Certificates of Deposit, is slightly less than five years.

Total loans are \$132,732,237—a decrease of about \$2,400,000.

Call and Short Loans in Canada against stocks, debentures, bonds and other securities, show a decrease of approximately \$887,000, while such loans elsewhere show an increase of \$1,189,000.

Current Loans in Canada stand at \$105,406,856, which is roughly \$7,000,000 less than the figure at December 31st last. At that time, I mentioned that business generally was in a strong working capital position, and that as a result, avenues for increasing the ordinary loaning activities of the Bank were limited. Nevertheless, our loaning business has been well maintained, for a substantial amount of temporary loans for the purchase of Fifth Victory Loan Bonds on our books at the end of last year have been paid and in great part replaced by advances for other purposes.

Loans Elsewhere than in Canada are \$16,535,053, which is about \$3,800,000 higher than a year ago.

There has been little financing for Provincial Governments and municipalities, and the loans in these categories remain at low figures.

Bank Premises Account at \$5,177,459 is about \$83,000 lower than the figure at December 31st last.

It will be noted that a further sharp rise in total assets has taken place—\$542,480,000 as against \$493,195,000 as at December 31st, 1943.

Total Quick Assets are \$383,546,705, or 75.9% of Public Liabilities, as compared with 73.5% at December 31st last.

An Eventful Year in the Sphere of Banking

The present year has witnessed the regular decennial revision of The Bank Act and the enactment of other legislation designed to encourage the use and extension of credit for certain purposes looking toward the post-war. The review by the House of Commons and its Banking and Commerce Committee, of the terms and conditions under which the Chartered Banks operate, again demonstrates the care with which the public interest in the important function of banking is protected by Canadian legislation and practice. The discussions were concentrated largely upon monetary theory and policy, mainly concerning the Bank of Canada and the Department of Finance. What discussion there was of banking practice centred around the question of 'inner reserves.' What changes were made in The Bank Act were not fundamental and it is fair to say that the results of the review are further evidence of the fact that the Canadian banking system has been operating in an efficient and useful manner.

Constructive Changes in Bank Act

The revisions that were made are in keeping with previous trends. The maximum rate of interest on loans was reduced from 7% to 6%. The note circulation of the Chartered Banks which has been steadily decreased since the establishment of the Bank of Canada is, as already mentioned, to be curtailed further and eliminated by the beginning of 1950. An annual statement of the operating earnings and expenses of the Chartered Banks is now required to be submitted to the Minister of Finance, and by him to Parliament. With regard to 'inner reserves,' a new provision specifically states that the Minister of Finance must report to the Minister of National Revenue for taxation purposes any contingency reserves which he considers to be excessive. A change of particular interest, to which reference has already been made, is the reduction in the statutory par value of bank shares from \$100 to \$10 per share. This should facilitate a wider distribution of bank shares, and together with the reduction in the share qualifications required for one-quarter of the number of each bank directorate, should help to develop a broader basis of public interest in and understanding of commercial banking operations.

Finally, there have been certain revisions in Section 88, that important part of The Bank Act which is the basis for lending to primary producers, wholesalers and manufacturers on the security of merchandise and primary products. The procedure regarding securities under this section has been simplified, reducing the book-keeping involved, both for the borrower and the bank. In the interests of agriculture, the scope of lending to farmers has been considerably widened by new provisions and by the Farm Improvement Loans Act, which it is expected will shortly be proclaimed. Another new sub-section provides for loans to fishermen.

New Credit Facilities for Farmers, Home Owners and Small Business

In addition to the revisions in The Bank Act, other important measures have been enacted to permit and assist the wider extension of credit at moderate rates for economically and socially desirable purposes, particularly on an intermediate and longer-term basis. The legislation covering farm improvement loans and the complementary changes in The Bank Act provide for a new type of credit and will, I hope, develop an important new field of lending not previously open to the banks. The Farm Improvement Loans Act is an extension of the same principles which were formerly used for home improvement loans, involving a fixed rate of interest, a maximum amount and term, and a government guarantee against losses up to a modest percentage of the amount of loans outstanding. In this regard, a new home improvement plan similar to the previous one has been incorporated in the National Housing Act and will come into effect as soon as the Government believes it to be appropriate.

Another significant measure is that establishing the Industrial Development Bank as a subsidiary of the Bank of Canada. Here, too, the intention is to complement the existing financial machinery by providing a source of capital for industrial enterprises, and particularly small businesses, whose reasonable needs are such as cannot be fully met either through ordinary bank loans or through financing in the long-term money market.

Credit for Exports and Construction

The last session of Parliament produced two other credit measures of major importance, designed to encourage and stimulate export trade and construction of housing. Both involve loans or guarantees

running into hundreds of millions of dollars. An Export Credits Insurance Corporation is designed to guarantee exporters against the risk of loss involved in approved contracts for the export of Canadian goods. In addition, the Canadian Government is enabled to guarantee the obligations of other governments or lend money to them for the purpose of paying for Canadian exports.

As for home building, the new Housing Act provides for long-term loans at a net maximum rate of $4\frac{1}{2}\%$ through existing lending institutions, with marginal participation by the Government at a low rate of interest, as well as making funds available for slum clearance and certain other purposes.

Stimulus for Reconstruction

Taken together, all these measures should be helpful in the reconstruction period. They are all designed to stimulate enterprise and to promote useful activities. They make full use of existing financial machinery and through a variety of means broaden and expand its lending capabilities. They provide stimulus where stimulus is likely to be needed—to exports and construction—and they increase the availability of credit to the farmer, the homeowner, and the smaller business.

Business Tax Methods Can Be Improved

Also it seems to me that the revisions in the methods of corporate income and excess profits taxation announced in the last budget are useful steps in the direction of restoring business enterprise looking toward the post-war transition. Nevertheless, more might be done to improve the methods of taxing corporate income without affecting current revenues. For instance, much uncertainty arises from failure to establish standard profits in a reasonable period of time. In a number of cases settlement has been deferred for a matter of years and, while one can appreciate the technical difficulties in establishing standard profits where pre-war profits were depressed, it is most unsatisfactory for a business to be approaching the transition period without knowing what its financial position may finally turn out to be. I might also add that more rapid determination of tax liabilities generally would be most desirable.

Some Tax Reductions Will Aid Reconstruction

For the time being, war requirements stand in the way of any

general reduction in tax rates, and so long as the Government has to spend sums of the present magnitude and the threat of inflation hangs over our economic structure, this will continue to be the case. When, however, war requirements are curtailed, some tax reductions should be expected.

In the sphere of corporate taxation, it is quite clear that the excess profits tax should be reduced with a view to its eventual elimination. It is an emergency tax and one which admittedly has very discouraging effects on business expansion. To those who argue that 'excess profits' should be taxed heavily as a matter of justice, it can be replied that corporations are impersonal entities and that income in the hands of the final recipients is already taxed at highly progressive rates. It can also be pointed out that incentive is necessary to enterprise and that enterprise is essential to full employment. It is true that large established corporations could continue to operate under an excess profits tax, though they would be much less inclined to expand their activities. But the worst impact of such taxation is on new businesses and small businesses wishing to expand, particularly where there is any considerable element of risk.

In the sphere of personal income taxation—and it is sometimes overlooked that this tax also affects enterprise and particularly small enterprise—it seems to me that a first step might be to raise the exemptions, thus lightening the tax burden where it bears most heavily and reducing the load to a modest extent on all taxpayers. A next step should be to reduce tax rates throughout the whole personal rate structure.

Development of Social Security

In making these suggestions I am not under any illusion that it will be possible to bring about a drastic reduction in rates of income taxation. Some significant reductions should be possible and are obviously desirable for economic as well as individual reasons. But the truth is that Canada, like the United States and Great Britain, has taken and is taking steps that assure a permanently high level of taxation. The Government is in the process of building up a broad social security program. Unemployment insurance has been extended and family allowances are on the statute books. Plans for increased old-age pensions and health insurance are under discussion

between the Dominion and the Provinces. The policy of supporting the income of farmers and fishermen—and that, too, is a form of social security—has been approved by Parliament, and methods to institute the floor-price program are being developed.

Social Measures Will Help Prevent Depressions

Whatever opinions may be of the details of this emerging program of social security, there is a large measure of agreement as to its significance and desirability. In addition to its obvious social purpose of providing greater security for the citizen, it has very important economic implications.

On the one hand, as I have said, it means a permanently high level of income taxation. Such taxes draw most heavily upon the medium and higher incomes, and it follows that the saving capacity of these income groups which was formerly an important source of new investment and employment will be substantially reduced. This in turn means that we shall depend even more in future on the large corporations, on the collectors of small savings like the insurance companies, and on government to provide for and promote new investment. Though this trend has been in evidence for many years, it has now become much accentuated. It may be desirable, and even inevitable, but I question whether it is sufficiently understood or studied in this country.

On the other hand, payments under these social security schemes will tend to enlarge the current expenditures of the population, and will be greater in times of contracting business activity. Social security will help to combat business depressions and to prevent the sort of cumulative deflation which we experienced from 1929 to 1933, and it will therefore aid in keeping business on an even keel. Provided that other factors, such as external trade, are conducive to business expansion, it can contribute materially to economic progress and opportunity.

Government and Business Must Work Together

Social security, useful public works, carefully timed decontrol, external trade policies, and government measures designed to encourage enterprise and competition, should all help to achieve the goal of high post-war employment and better living standards. It is clear that government has a vital role to play both in the transi-

tion from war to peace and more permanently. If government failed to recognize its developing responsibilities in the economic and social spheres, private enterprise could not function efficiently and high employment would be out of the question.

But let us remember that government planning and control is not an end in itself and let us not stumble into the pitfall of setting government and private enterprise in two opposed camps. Government policies should help to provide conditions which will encourage enterprise, not thwart it. Government and private activities should be complementary, not conflicting.

High Employment is Prime Objective

Our post-war objectives are pretty clear. What we want is high employment and a better general standard of living, and we want to achieve these without impairing our rights as individuals; indeed, we wish to strengthen these rights by improving economic opportunity. If we keep these objectives constantly in mind, if we work for rational solutions to our economic and social problems, and if we are willing to accept reasonable compromises where group interests conflict, then we shall make real progress toward their achievement. I doubt if there was ever a time when the need for rational consideration of our problems was greater. The war will leave many tired and impatient, and there may be a tendency to divide up into sectional and economic groups, each striving for its particular interests without sufficient regard to the welfare of the community as a whole. It is not enough to agree as to the desirability of full employment. It will be necessary to reach a reasonable measure of agreement through the usual democratic procedures as to the kind of policies we propose to follow in working toward that objective, and they must be policies which are in accord with the facts of economic life.

Our Problems Affected by Events in United States

I should like to mention one other factor in our post-war outlook—that is, the extent to which our own problems will be affected by the course of events in the United States. Like Canada, the United States will be faced with staggering transitional problems. She will have the added responsibility of knowing that her actions will exercise a great influence on the welfare of the entire world. We in

Canada have been enormously encouraged by the wartime achievements of our great neighbour both on the battlefield and on the production line. They are a good augury for the future. Though difficulties will be great and mistakes may be made, I have high hopes that our neighbours will meet the challenge of peace as they have met that of war.

Tribute to the Staff

During the past ten months an additional 13 members of the Bank's staff joined the Armed Forces and we now have 834 of our young men and 18 of our young women in the Services. Of our male staff of military age in the British Possessions 69.5% is now in the Armed Forces.

At the last Annual Meeting it was mentioned that 4 of our officers had been awarded the Distinguished Flying Cross. It is with pardonable pride I am now able to tell you that since then one of those valiant members has, in addition, been awarded the Distinguished Service Order; two more have been awarded the Distinguished Flying Cross, and one the Distinguished Flying Medal.

The war has taken a further toll of life among our enlisted men. When last I addressed you it was my sad duty to report that, since its outbreak, 27 had been killed on Active Service, 4 died in Canada, 7 were missing and 4 were prisoners of war. I regret to say that, since that time, 25 have given their lives in the service of our country (including 7 who had previously been reported missing), another 15 were reported missing and 8 more are prisoners of war. The Bank's Honour Roll at the end of October totalled 938. Of these, 834 men (of whom 15 are missing and 12 are prisoners of war) and 18 young women are on Active Service, 52 men have been killed in action, 4 died in Canada and 30 have been discharged and have returned to the Bank. We extend our best wishes for the welfare of all our young men and women on Active Service and our earnest hopes for their early and safe return. To the bereaved families of those whose lives have been taken goes our sincere and heartfelt sympathy.

We now have 3,117 on our staff. This is an increase of 103 for the ten months, represented almost entirely by young women taken on the emergency staff. There are now 1,866 women in our service

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compared with 1,753 ten months ago and 487 at the outbreak of war.

The heavy burden of duties devolving upon members of our staff due to wartime conditions has not lessened but, rather, has increased. The difficulties due to these extra duties performed under the handicap of staff shortages and the necessity of training emergency staff have been considerable. Only the spirit of loyalty and co-operation which has been everywhere in evidence throughout the Bank has enabled us to maintain a standard of service in keeping with its traditions. These men and women—and especially should I pay tribute to the staff at our Branches—are justly entitled to a pride in their accomplishments, which it is my duty and privilege to acknowledge.”

The motion to adopt the Report of the Directors was then put to the meeting by the Chairman and passed unanimously.

It was moved by Mr. Clifford L. Torey, C.A., seconded by Miss Georgene L. Faulkner, and carried:

That Mr. Donald McKenzie McClelland, F.C.A., of the firm of Price, Waterhouse & Company, and Mr. Arthur Bromilow Shepherd, F.C.A., of the firm of Peat, Marwick, Mitchell & Company, be appointed auditors for the ensuing year under Section 55 of The Bank Act, that an appropriation not to exceed \$18,000 be hereby authorized for their remuneration, to be divided between them in such manner as the Directors shall consider just and reasonable, and that one ballot be cast.

The ballot having been taken and the Scrutineers having reported it in favour of the foregoing resolution, the Chairman declared the gentlemen named duly appointed as Auditors, and the appropriation for their remuneration authorized as stated.

It was moved by Mr. Norman T. Avard, seconded by Mr. E. McN. Grant, and carried:

That Shareholders' By-law No. 3 be and the same is hereby repealed and that the following be and the same is hereby enacted in lieu thereof, and that one ballot be cast:

3. The number of the Directors and the quorum thereof shall be regulated as follows, namely:

- (a) The number of the Directors shall not be less than twenty and not more than twenty-five;
- (b) Until and subject to the extent to which the provisions of clause (c) hereof shall become effective, the number of Directors shall be twenty;
- (c) From time to time, upon the passing of a resolution of the Board of Directors declaring that it is expedient that this clause (c) should take effect to the extent of so many additional Directors as the resolution may specify, the number of the Board shall be and it is hereby increased by the number so specified, and the vacancy or vacancies in the Board thereby created may be filled in accordance with the provisions of Shareholders' By-law No. 6, provided that in no event shall the total number of the Directors exceed twenty-five;
- (d) Three of the Directors shall constitute a quorum.

The ballot having been taken and the Scrutineers having reported it in favour of the foregoing resolution, the Chairman declared that Shareholders By-law No. 3 had been repealed and that a new By-law No. 3 had been enacted in lieu thereof in terms of that contained in the foregoing resolution.

It was moved by Mr. Donald McInnes, K.C., seconded by Mr. W. L. Payzant, K.C., and carried:

That Shareholders By-law No. 4 be and it is hereby repealed and that the following be and it is hereby enacted in lieu thereof, and that one ballot be cast:

4. No Shareholder shall be eligible as a Director unless he holds stock of the Bank, of which stock he shall be absolute and sole owner in his individual right and not as trustee, or in the right of another, on which not less than five thousand dollars have been paid up, provided that in the case of not more than one-quarter of the number of Directors the minimum requirements of subscriptions to stock shall be reduced to two thousand five hundred dollars; nor shall he be eligible if he is a Director or has a partner who is a Director of another Bank.

The ballot having been taken and the Scrutineers having reported it in favour of the foregoing resolution, the Chairman declared that Shareholders By-law No. 4 had been repealed and that a new By-law No. 4 had been enacted in lieu thereof in terms of that contained in the foregoing resolution.

It was moved by Mr. J. W. Godfrey, K.C., seconded by Mr. Gordon A. Gladwin, and carried:

That the following be, and they are hereby nominated as Directors for the ensuing year, that a vote be taken for their election, and that one ballot be cast:

S. J. Moore, Esq., Toronto, Ont.; J. A. McLeod, Esq., Toronto, Ont.; H. D. Burns, Esq., Toronto, Ont.; Hon. William D. Ross, Toronto, Ont.; W. W. White, Esq., M.D., Saint John, N.B.; Russell Blackburn, Esq., Ottawa, Ont.; F. P. Starr, Esq., Saint John, N.B.; Sidney T. Smith, Esq., Winnipeg, Man.; The Honourable Leighton McCarthy, P.C., K.C., LL.D., Toronto, Ont., and Washington, D.C.; W. M. Birks, Esq., Montreal, Que.; Hon. F. B. McCurdy, P.C., Halifax, N.S.; A. L. Ellsworth, Esq., Toronto, Ont.; James Y. Murdoch, Esq., K.C., LL.D., Toronto, Ont.; Lieut.-Colonel J. D. Fraser, Ottawa, Ont.; L. A. Lovett, Esq., K.C., Annapolis Royal, N.S.; Christopher Spencer, Esq., Vancouver, B.C.; Brig.-General C. H. Maclaren, C.M.G., D.S.O., Ottawa, Ont.; J. G. MacDougall, Esq., M.D., C.M., Halifax, N.S.; J. A. Kilpatrick, Esq., Montreal, Que., and Toronto, Ont.; W. A. Winfield, Esq., Halifax, N.S.

The ballot having been taken and the Scrutineers having reported it in favour of the foregoing resolution, the Chairman declared the gentlemen named duly elected Directors for the ensuing year.

In moving the foregoing resolution, Mr. Godfrey wished to compliment the President and the General Manager upon the excellent addresses which had just been delivered to the shareholders. A corporation, Mr. Godfrey said, functions under three groups, *viz.*, its directors, who are responsible for the formation of policy; its executive officers, who give effect to policy; and its employees, who attend to details in all their ramifications. It follows that unless there is full co-ordination of effort and mutual understanding between these groups, the interests of the corporation will suffer;

further, where that corporation is a financial one, the interests of the community which it serves would similarly suffer. It is therefore important that the Board of Directors of the Bank should be composed of men of diversified experience, broad intelligence and understanding, drawn from the professions, business, industry and finance. The Bank of Nova Scotia had been fortunate in having on its Board of Directors men who possessed such attributes and qualifications and who had served faithfully and well.

It was moved by Mr. J. A. Kilpatrick, seconded by Mr. W. A. Winfield, and carried:

That in accordance with Section 53, Sub-section 5 of The Bank Act, Mr. Herbert D. Burns, or failing him, Mr. Edwin Crockett, be appointed to act as proxy for the Bank at any and all Shareholders' meetings of the Empire Realty Company Limited, and that one ballot be cast.

The ballot having been taken, and the Scrutineers having reported it in favour of the foregoing resolution, the Chairman declared the gentlemen named duly appointed to act as proxy for the Bank at any and all Shareholders' meetings of the Empire Realty Company Limited, in accordance with Section 53, Sub-section 5 of The Bank Act.

It was moved by Mr. F. H. M. Jones, and seconded by Colonel Kenrick C. Laurie, that the thanks of the shareholders be tendered to the General Manager, the executive officers and staff for their efficient and loyal service during the past year.

In moving the foregoing resolution, Mr. F. H. M. Jones referred to the important part played by the men and women at the branches and other offices who carried out the routine operations of the Bank from day to day, and said that little could be added to the tribute which the General Manager had paid to the staff in the course of his address. Mr. Jones felt, however, that he could well enlarge upon the difficulties and added strain resulting from the instructing and supervision of inexperienced staff engaged to fill the places of some 900 men and women who had joined the Armed Forces. He quoted a recent saying of Prime Minister Churchill—"This is just the moment not to slacken. All races which the calendar holds, or nearly all of them, are won in the last lap; tirelessness is what we

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have to show now," and emphasized that for the tirelessness manifested by the members of the staff in carrying out their onerous duties, special tribute was due.

Mr. Norman T. Avard, on behalf of the National War Finance Committee, spoke in terms of commendation of the efforts of the Bank Managers and their assistants in promoting the success of the Seventh Victory Loan. The intensified activities of these officers, Mr. Avard felt, had been an important factor in accomplishing the gratifying results achieved in that campaign, and on behalf of the National War Finance Committee he wished to express to them sincere appreciation.

The motion was passed unanimously.

In responding, Mr. A. L. Ormiston, Manager of Truro Branch, said he considered it an honour and a privilege to be afforded the opportunity of acknowledging on behalf of the General Manager, his executive officers and staff, the resolution passed by the shareholders expressing appreciation of their services. Such recognition, he felt sure, served to promote a spirit of loyalty and co-operation and was greatly appreciated by all. Mr. Ormiston took occasion to thank the senior executive officers of the Bank for their sympathetic understanding of the many and complex problems which are peculiar to wartime conditions and with which the staff are constantly confronted. The shareholders, he added, could be assured that the members of the staff will continue to discharge their duties conscientiously and to do their utmost to maintain the high standard of efficiency which has characterized the Institution they have the honour to serve.

The proceedings then terminated.

At a meeting of the newly elected Directors held at the conclusion of the Annual Meeting of Shareholders, Mr. S. J. Moore was elected Chairman of the Board, Mr. J. A. McLeod was elected President, Mr. H. D. Burns, Vice-President, and Hon. W. D. Ross, Vice-President.

LIST OF BRANCHES

NOVA SCOTIA

Branch	Manager
AMHERST	C. B. Simmons
ANNAPOLIS ROYAL	G. A. Blackie
ANTIGONISH	J. S. Taylor
AYLESFORD	I. Y. Murphy
BRIDGETOWN	D. B. Scott
CALEDONIA (Queen's Co.)	N. W. R. Hamilton
CANNING	R. Roop
CHESTER	E. L. Piggott
DARTMOUTH	H. N. Hubley
DICBY	L. E. Shatford
FREEPORT	H. O. Connell
GLACE BAY	H. M. Carty
HALIFAX	Reid J. Smith R. C. Stoddard, <i>Asst.</i>
Coburg and Robie	R. C. Clark
North and Agricola	R. V. Hickson
KENNETCOOK	H. R. Flewelling
KENTVILLE	H. F. Cunningham
LIVERPOOL	H. J. Johnson
NEW GLASGOW	L. D. Payzant T. H. Miller, <i>Asst.</i>
NEW WATERFORD	E. N. Atkinson
NORTH SYDNEY	G. M. Schurman
OXFORD	T. Wilson
PICTOU	J. F. Palfrey
PUGWASH	W. C. Hawker
RIVER HEBERT	A. S. MacKenzie
RIVER JOHN	M. H. Gilmore
SHEET HARBOUR	E. H. Acteson
STELLARTON	H. B. MacKean
SYDNEY	W. G. Henderson
SYDNEY MINES	W. S. Shields
TATAMACOUCHE	J. E. Langille
TRURO	A. L. Ormiston
WESTVILLE	A. Lyons
WINDSOR	J. F. Gill
YARMOUTH	A. G. Maclellan

NEW BRUNSWICK

ALBERT	J. H. Mace
BATH	J. G. Wicks
CAMPBELLTON	J. B. Tarlton
CHATHAM	M. D. McDonald
CHIPMAN	G. G. Bennett
DOAKTOWN	E. S. Dibb
EAST FLORENCEVILLE	H. W. Sainthill
FAIRVILLE	S. H. Crockett
FREDERICTON	J. H. Malcom W. R. Monteith, <i>Asst.</i>
GAGETOWN	J. L. Jelly
GRAND MANAN	S. J. Mann
HAMPTON	B. W. Gavey
HILLSBOROUGH	H. J. C. McIntyre

NEW BRUNSWICK—Continued

Branch	Manager
JACQUET RIVER	A. W. Farwell
MCADAM	F. H. Estabrooks
MINTO	G. A. Mowat
MONCTON	W. Cook
NEWCASTLE	E. J. Lutz
PETITCODIAC	L. R. Crammond
PORT ELGIN	J. R. Hughes
SACKVILLE	J. R. Curry
SAINT JOHN	W. A. Clark H. A. Fillmore, <i>Asst.</i>
Charlotte Street	M. A. Girvan
Haymarket Square	W. A. McLaggan
Mill and Paradise Row	H. H. Burton
North End	John Kennedy
West Saint John	G. B. Clarkson
ST. ANDREWS	A. C. Smith
ST. GEORGE	F. T. McLellan
ST. STEPHEN	W. M. Bruce
SUSSEX	J. J. Young
WOODSTOCK	A. R. Rendell

PRINCE EDWARD ISLAND

ALBANY	C. L. Flemming
CHARLOTTETOWN	W. R. Adams P. M. Dakin, <i>Asst.</i>
KENSINGTON	F. R. Nauss
MONTAGUE	S. Rowsell
MORELL	D. Samson
O'LEARY	J. T. Holder
SUMMERSIDE	T. W. Mitton
VICTORIA	S. J. Dunsford

QUEBEC

BROWNSBURG	A. Bourgon
BUCKINGHAM	W. Redpath
CAMPBELL'S BAY	A. W. Pequegnat
FORT COULONGE	A. O. Gervais
GRENVILLE	J. R. Monty
HULL	A. M. Pinard
LACHUTE	W. M. Steeves
MANIWAKI	A. Menard
MONTREAL	A. E. Griffin B. Howard, <i>Asst.</i> W. J. V. Routliffe, <i>Asst.</i>
Park and Fairmount	J. G. H. Sutherland
St. Catherine and Peel	R. P. Webb
St. Catherine and	E. I. Rodgers
St. Alexander	L. B. Kerr, <i>Asst.</i>
Sherbrooke and Harvard	A. T. Bell
Sherbrooke and Greene	R. J. Moffatt
(Westmount)	

REPORT OF THE BANK OF NOVA SCOTIA

QUEBEC—Continued

Branch	Manager
NEW CARLISLE.....	W. Hayward
NEW RICHMOND.....	V. F. Sedgewick
PORT DANIEL.....	D. C. Holland
QUEBEC.....	C. A. Kelly
ST. ANDREWS EAST.....	J. O. Bridge

ONTARIO

ACTON.....	W. K. Graham
AGINCOURT.....	R. A. S. Elliot
ALEXANDRIA.....	W. W. W. Dean
ARNPRIOR.....	R. L. Guselle
AVONMORE.....	D. C. Hamilton
BANCROFT.....	D. L. Doyle
BARRIE.....	J. H. Rattee
BEACHBURG.....	H. D. MacMillan
BELMONT.....	C. F. Hibbard
BRACEBRIDGE.....	H. Wilson
BRANTFORD.....	John Ross
BRIDGEN.....	F. C. Marshall
BROCKVILLE.....	W. E. MacDonald
CAMPBELLVILLE.....	F. E. Quinlan
CARLETON PLACE.....	J. G. Craig
CARP.....	A. E. Smith, <i>Pro</i>
CHESTERTON.....	H. Brown
COBDEN.....	H. A. Ballard
COBOURG.....	C. P. Jones
COCHRANE.....	E. E. King
CONSECON.....	G. H. Eager
CORNWALL.....	H. E. Wales
FORT WILLIAM.....	M. K. Pugsley
GUELPH.....	G. W. G. Williamson
HAILEYBURY.....	G. S. Jourdan
HAMILTON.....	F. D. Dunn
King and Sherman.....	W. D. McArthur, <i>Asst.</i>
HAWKESBURY.....	S. Blais
KEMPTVILLE.....	R. H. Dewar
KENORA.....	J. W. Berry
KINGSTON.....	W. D. Stewart
KITCHENER.....	J. Macdonald
LANARK.....	W. C. Cross
LINWOOD.....	F. W. Hill
LONDON.....	D. R. Platt
MARKHAM.....	G. A. Stewart
MARTINTOWN.....	J. D. McKean
MATTAWA.....	F. A. McCallum
MAXVILLE.....	R. B. Buchan
MERRITON.....	A. L. Wyant
MILTON.....	F. H. Gilroy
MILVERTON.....	C. G. Matthews
MOUNT DENNIS.....	J. W. Nicolson
NEW LISKEARD.....	A. S. Meisner
NEW TORONTO.....	W. L. Watson
NORTH AUGUSTA.....	H. F. Gunn
NORTH BAY.....	A. C. Allen

ONTARIO—Continued

Branch	Manager
OTTAWA.....	C. F. Lindsay
	H. M. Dagg, <i>Asst.</i>
Bank and Fourth.....	James Brydon
Bank and Gloucester.....	S. Macdonald
Elgin and Frank.....	J. F. Thompson
Hintonburgh.....	S. C. Stevens
Ottawa East.....	E. Edmunds
Ottawa South.....	A. S. Mackey
Rideau and William.....	W. B. Snow
Somerseset and Bronson.....	H. J. Clarke
PARRY SOUND.....	G. L. Ziegler
PEMBROKE.....	R. M. Hope
PERTH.....	H. K. Stevens
PETERBOROUGH.....	H. C. Fitzgerald
PETROLIA.....	M. G. Bruce
PICTON.....	E. L. Bronskill
PORT ARTHUR.....	W. C. Sinclair
PORT CARLING.....	W. P. Blakeston
POWASSAN.....	F. L. Galvin
RENFREW.....	A. T. F. Cobb
RICHMOND.....	C. B. Lewis
RUSSELL.....	E. G. Rankin
St. CATHARINES.....	W. H. Harris
St. ISIDORE DE PRESCOTT.....	F. A. Duhamel
St. JACOBS.....	R. T. Adam
SARNIA.....	W. C. McKinnon
SMITHS FALLS.....	C. B. Houston
SOUTH MOUNTAIN.....	J. J. Gray
STRATFORD.....	C. P. Furlong
STREETSVILLE.....	F. M. Pidgeon
SUDBURY.....	M. G. Trainor
SUTTON WEST.....	F. M. Wilmot
TIMMINS.....	W. Long
TORONTO.....	R. L. Dales
	T. G. Adams, <i>Asst.</i>
	F. W. Nicks, <i>Asst.</i>
Avenue Rd. and St. Clair.....	J. F. Lynch
Bloor and St. Clarendon.....	R. B. W. Ward
Bloor and Spadina.....	J. E. Edgington
Broadview and Gerrard.....	W. W. Mitchell
College and Bathurst.....	A. A. McIntosh
Danforth and Greenwood.....	R. Pouncy
Danforth and Pape.....	H. G. Barker
Dundas and Brock.....	W. T. Thompson
Forest Hill Village.....	O. MacNaughton
Gerrard and Woodbine.....	I. Galt
King and Victoria.....	W. S. Jamieson
Kingston Rd. and Bingham.....	D. H. MacLeod
Kingsway.....	G. C. Crawford
Oakwood and St. Clair.....	L. O. Oke
Pape and Gowan.....	D. G. Rowntree
Queen and Church.....	F. W. Moody
	F. Ormrod, <i>Asst.</i>
Queen and Lansdowne.....	G. W. Poole
Queen and McCaul.....	G. F. Gardner
	E. I. Sutcliffe, <i>Asst.</i>

REPORT OF THE BANK OF NOVA SCOTIA

ONTARIO—Continued

Branch	Manager
TORONTO	
Queen and Pape	T. B. Halpin
Queen and River	J. W. Wylie
Spadina and Dundas	W. A. Meyer
Spadina and Dupont	J. A. Baxter
Union Station	E. Barker
VANKLEEK HILL	K. I. Mitchell
WELLAND	J. O. Walsh
WELLINGTON	R. D. Leavitt
WESTBORO	W. G. Beddoe
WESTON	A. T. Stenhouse
WINDSOR	H. G. Dustan

MANITOBA

DAUPHIN	R. P. Eastman
EMERSON	B. A. Oakden
PORTAGE LA PRAIRIE	W. P. Osborne
WINNIPEG	F. L. Graham
	H. A. Bell, <i>Asst.</i>
St. James	R. Skinner
WINNIPEGOSIS	H. H. Hill

SASKATCHEWAN

AVONLEA	D. B. Love
BEECHY	N. B. Johnston
CODETTE	B. L. Dewey
GLASLYN	J. Paxton
KINISTINO	J. Edmond
MOOSE JAW	O. Welsh
PRINCE ALBERT	J. H. Quinlan
REGINA	C. L. Bowlby
SASKATOON	C. M. Killam
West Side	R. G. Doig
SHELLBROOK	J. R. Stewart
SPIRITWOOD	B. A. Evans
STAR CITY	J. N. Adams
SWIFT CURRENT	S. K. Crawford
TISDALE	J. Bogle

ALBERTA

ARROWWOOD	R. H. Bishop
CADOMIN	H. A. Johnson
	W. H. Byers
CALGARY	J. S. Burchell, <i>Asst.</i>
North Hill	E. Wheeler
West End	H. B. Nelson
	D. McCallum
EDMONTON	N. R. Campbell, <i>Asst.</i>
LETHBRIDGE	T. F. Mitchell
MILO	G. Williams

BRITISH COLUMBIA

NEW WESTMINSTER	H. L. Dixon
PORT ALICE	W. Barclay
	J. G. Penney
VANCOUVER	F. L. Fields, <i>Asst.</i>
Davie and Granville	D. J. Mair
12th Ave. and Granville	M. C. Chisholm
VICTORIA	W. J. Peers

NEWFOUNDLAND

Branch	Manager
BAY ROBERTS	E. V. Hall
BELL ISLAND	G. N. Rendell
BONAVISTA	N. D. Bishop
BURIN	W. J. Brien
CARBONEAR	F. Davis
CATALINA	L. L. Russell
CHANNEL	K. L. Crowley
FOGO	A. M. Stoodley, <i>Acting</i>
GRAND BANK	S. T. Jones
HARBOR GRACE	F. D. Barrett
LEWISPORTE	M. A. Russell, <i>Acting</i>
	K. S. Russell
St. John's	C. R. Handrigan, <i>Asst.</i>
TWILLINGATE	W. F. Noel

JAMAICA

BLACK RIVER	E. P. Warneford
CHRISTIANA	E. V. Parke
	W. Torrie
KINGSTON	J. G. Kenney, <i>Asst.</i>
MANDEVILLE	D. S. M. Clark
MAY PEN	D. Lawrence
MONTEGO BAY	E. Clark
PORT ANTONIO	N. H. Airth, <i>Acting</i>
PORT MARIA	P. R. Miller
St. Ann's Bay	E. G. Bird
SAVANNA-LA-MAR	W. S. Wood, <i>Acting</i>
SPANISH TOWN	P. Marshall

CUBA

CAMAGUEY	P. G. Marels
CIEINFUEGOS	F. Montane
	M. J. Betancourt
HAVANA	H. E. Curran, <i>Asst.</i>
	C. E. Tanner, <i>Asst.</i>
Avenida de Italia	A. de Moya
Oficios Street	A. del Barrio
Padre Varela	F. O. Perez
	M. A. Fornaris, <i>Asst.</i>
	G. Ferrer
MANZANILLO	H. A. Murcell, <i>Asst.</i>
	I. Batlle
SANTIAGO DE CUBA	J. H. Nesta, <i>Asst.</i>

PUERTO RICO

FAJARDO	R. Martin
	G. F. Hinchcliffe, <i>Agent</i>
SAN JUAN	H. S. Sherwood, <i>Asst. Agent</i>

DOMINICAN REPUBLIC

CIUDAD TRUJILLO	E. M. Robinson
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UNITED STATES

NEW YORK	F. W. Murray, <i>Agent</i>
AGENCY	C. G. Webster, <i>Asst. Agent</i>

ENGLAND

LONDON	E. C. Macleod
	R. A. Elder, <i>Asst.</i>

Roll of Honour

*Members of the staff of The Bank of Nova Scotia who have given
their lives in their Country's service*

SEPTEMBER 10TH, 1939—NOVEMBER 30TH, 1944

AMEY, R. R.	North Sydney, N.S.	November 20, 1943
BEEDHAM, M. M.	Victoria, B.C.	June 20, 1944
BEISE, J. A.	West Side, Saskatoon	November 13, 1940
BELL, C. E.	West End, Calgary	November 23, 1942
BOYD, V. L.	Queen and Pape, Toronto	May 7, 1943
BROWNLEE, J. B.	Montreal, Que.	August 23, 1943
CABELDU, J. N.	Charlotte St., Saint John, N.B.	November 26, 1942
CAIRNS, A. H.	Bank and Fourth, Ottawa	November, 1944
CANNON, A. E.	Rideau and William, Ottawa	August 1, 1943
CLARK, H. F.	North End, Saint John	September 20, 1941
CRANSTON, J. F.	Carleton Place, Ont.	May 31, 1941
DAVIS, R. G. M.	Channel, Nfld.	September 14, 1942
DUNN, J. W. K.	Winnipeg, Man.	July 18, 1944
ELLSMERE, R. O.	Port Carling, Ont.	May 4, 1944
FAWCETT, A. J.	Rideau and William, Ottawa	September 17, 1942
FLEMMING, J. A.	Truro, N.S.	July 31, 1944
FRANCIS, M. J.	Port Arthur, Ont.	August 6, 1944
FRASER, A. J.	Saint John, N.B.	January 3, 1942
FRASER, D. G.	Hamilton, Ont.	May 18, 1943
GILLIES, K. M.	Shellbrook, Sask.	July 13, 1943
GRAHAM, W. E.	Calgary, Alta.	June 8, 1944
GREGG, A. I.	College and Bathurst, Toronto	February 22, 1944
HATFIELD, J. E.	West Saint John, N.B.	May 28, 1940
HAYWORTH, W. A.	Regina, Sask.	May 19, 1942
HEANEY, A.	Ottawa, Ont.	September 22, 1943
HOGAN, J. D.	Truro, N.S.	September 24, 1943
ISAACS, J. E.	Halifax, N.S.	April 17, 1943
JORDAN, H. C.	Renfrew, Ont.	July 13, 1943
KEITH, J. R.	Windsor, N.S.	February 11, 1942
Kenny, J. A.	Sherbrooke and Greene, Westm't., Que.	August 18, 1942
MACISAAC, B. H.	Halifax, N.S.	October 2, 1943
MACNEILL, N. A.	Minto, N.B.	January 13, 1944
MCALPINE, W. J.	Bancroft, Ont.	May 12, 1943
MCLAUGHLIN, G. L.	Kemptville, Ont.	November 18, 1943
MCRAE, J. R.	St. John's, Nfld.	April 16, 1942
MAIR, C. M.	Portage la Prairie, Man.	November 24, 1943
MORRIS, J. H. P.	Alexandria, Ont.	April 7, 1943
MULLIGAN, M. G.	North Bay, Ont.	January 27, 1944
O'HANLEY, G. J.	Morell, P.E.I.	January 28, 1943
O'NEILL, F. S.	Arnprior, Ont.	June 26, 1944
PEARSON, L. G.	New Westminster, B.C.	September 19, 1944
RALPH, H. P.	Ottawa, Ont.	October 30, 1943
RICHARDSON, D. J.	Kingston, Jamaica.	February 14, 1942
RICHARDSON, J. S.	St. Stephen, N.B.	July 1, 1942
ROSS, A. S. I.	Regina, Sask.	June 7, 1944
SCOTT, L. O.	Bank and Gloucester, Ottawa	May 15, 1942
SHANNON, L. C.	Winnipeg, Man.	March 29, 1944
SIMONSON, V. L.	Swift Current, Sask.	July 19, 1942
SLACK, W. O.	Bank and Gladstone, Ottawa	May 5, 1943
SNOW, M. V.	Elmwood, Winnipeg	December 4, 1943
TATE, D. E.	Parry Sound, Ont.	May 25, 1944
THOMSON, T.	Bank and Gladstone, Ottawa	January 21, 1944
TIGHE, R. G.	Victoria, B.C.	April 3, 1943
TINSLEY, G.	King and Sherman, Hamilton	August 18, 1942
WALTHAM, G. D.	Calgary, Alta.	January 19, 1942
WORLEY, R. S. B.	Westboro, Ont.	February 25, 1943

